

**Electronically Recorded**

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*Mary Louise Garcia*

Mary Louise Garcia

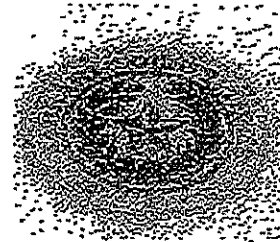
**Tarrant County Texas**

3/10/2011 8:40 AM

**D211057019**

PGS 10 \$52.00

Submitter: ACS



**DALE PROPERTY SERVICES, LLC  
ATTN: RECORDING TEAM  
500 TAYLOR ST. STE 600  
FORT WORTH, TEXAS 76102**

**Submitter: DALE PROPERTY SERVICES, LLC**

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**MARY LOUISE GARCIA  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401**

**DO NOT DESTROY**

**WARNING - THIS IS PART OF THE OFFICIAL RECORD**

**ELECTRONICALLY RECORDED  
BY ACS ERXCHANGE**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision  
STANDARD LEASE W/ OPTION v. 5

**PAID UP OIL AND GAS LEASE  
(No Surface Use)**

Electronically Recorded  
Chesapeake Operating, Inc.

THIS LEASE AGREEMENT is made this 2nd day of March, 2011, by and between The M.A. Davidson Family Limited Partnership, whose address is 2620 W Arkansas Lane, Arlington, TX 76016, as Lessor, and CHESAPEAKE EXPLORATION, L.L.C. AN OKLAHOMA LIMITED LIABILITY COMPANY, whose address is P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

0.276 ACRES OF LAND, MORE OR LESS, BEING BLOCK 3, LOT 14, OUT OF THE NORTH RIVERSIDE ESTATES, AN ADDITION TO THE CITY OF FORT WORTH, TARRANT COUNTY, TEXAS, BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS IN THAT CERTAIN PLAT RECORDED IN VOLUME 388-R, PAGE 47 OF THE PLAT RECORDS OF TARRANT COUNTY, TEXAS.

in the county of TARRANT, State of TEXAS, containing 0.276 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE YEARS (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be TWENTY-FIVE PERCENT (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be TWENTY-FIVE PERCENT (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days

after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones there under, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. ~~Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of TWO YEARS (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.~~

18. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

SEE EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR (WHETHER ONE OR MORE)

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

By: Scott R. Davidson.

General Partner of the  
M.A. Davidson Family Limited Partnership

Signature: \_\_\_\_\_

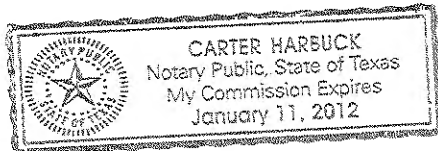
Printed Name: \_\_\_\_\_

#### CORPORATE ACKNOWLEDGMENT

STATE OF Texas  
COUNTY OF Tarrant

This instrument was acknowledged before me on the 2<sup>nd</sup> day of March 2011, by Scott R. Davidson, General Partner of the M.A. Davidson Family Limited Partnership a Texas limited partnership, on behalf of said limited partnership.

Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:



## Exhibit "A"

**ATTACHED TO AND MADE PART OF THAT CERTAIN PAID UP OIL, GAS AND MINERAL LEASE DATED March 2nd, 2011, BETWEEN THE M.A. DAVIDSON FAMILY LIMITED PARTNERSHIP, AS LESSOR, AND CHESAPEAKE EXPLORATION, L.L.C., AS LESSEE.**

**DEDUCTIONS AGAINST ROYALTIES:** All royalties provided for in this lease, including royalties taken in kind, shall be determined and delivered to Lessor free of all deductions, costs and charges for development, production, compression, treating, storing, separating dehydrating, marketing processing, gathering, transporting and otherwise making the oil and gas ready for sale or use. All royalties, however, shall bear all production and severance taxes applicable to Lessor's share of production, if paid by Lessee and deducted from Lessor's royalty. Furthermore, Lessor's royalty shall bear its proportionate part of all reasonable and necessary costs actually incurred by Lessee in transporting gas from the lease premises or lands pooled therewith.

**SULPHUR AND OTHER ASSOCIATED PRODUCTS:** On sulphur and any other associated products incidentally produced and sold with oil and/or gas under this lease (other than liquid or gaseous hydrocarbons), the royalty shall be 25 percent (25%) of the market value of each of such products. Such market value shall be determined by the greater of (i) the market price of each product for the month in which the product is produced or (ii) the average gross sales price of each product for the month in which the product is sold.

**TIME AND METHOD OF PAYMENT:** If there are no defects or adverse claims against Lessor's title, then payments of royalty, accompanied by adequate accounting data to support same, shall be made by deposit, postage prepaid, in United States Mail no later than one hundred twenty (120) days after the commencement of production. Thereafter, unless otherwise specifically provided herein, all payments of royalties shall be made by deposit, postage prepaid, in the United States Mail on or before the 60<sup>th</sup> day after the calendar month in which production occurred. Any royalty not paid within the time specified herein shall be deemed delinquent and shall bear simple interest at the rate of prime plus two (2) percentage points. However, in no event shall such interest rate exceed the maximum legal rate that can be charged Lessee. Lessee shall not be penalized for delay in Lessor receiving royalty payments resulting from delay in postal services when the royalty payments has been mailed to Lessor by the due date or when a delay is the result of information provided by Lessor. Acceptance by Lessor of royalties that are past due shall not act as a waiver of estoppels of Lessors rights to received or recover interest due thereon under the provisions hereof unless the written acceptance or acknowledgement by Lessor to Lessee expressly so provides, Any tender or payment to Lessor of a sum less than the total amount due Lessor hereunder which is made or intended to be made as an offer of settlement or an accord and satisfaction by or on behalf of Lessee must be accompanied by a Notice of Settlement Offer, so denominated, addressed to Lessor. Any such offer of settlement submitted solely by the tender of a check containing language of settlement or accord and satisfaction printed or otherwise inserted thereon shall not be deemed to offer of settlement unless accompanied by such a Notice of Settlement Offer. Lessee shall pay all reasonable attorneys fees incurred by Lessor in connection with any lawsuit in which Lessor is successful in recovering any royalties or interest resulting from Lessees failure to pay within the period set forth herein.

**PURCHASER'S FAILURE TO PAY ROYALTIES:** Lessee shall remain liable for royalties which are required to be paid to Lessor but which are not actually paid as a result of the failure or bankruptcy of any third party purchaser and irrespective of the execution by Lessor of a Division Order or any similar agreement in favor of such third party purchaser; provided however, this provision shall not permit Lessor double or multiple collection to a particular royalty payment and further provide that if Lessee actually makes payment of royalty of Lessor pursuant to this provision as a result of the failure or bankruptcy of such third party purchaser then Lessor shall assign to Lessee any and all rights that that Lessor may have against such third party purchaser so as to place Lessee in the position of Lessor as against such third party purchaser.

LEASE USE OF OIL AND GAS: Lessee shall have use of oil, gas and water from said lands except water from Lessor's tanks and wells, for all operations hereunder. Such use includes Lessee's use of gas from said Lands for all operations on or near said Lands involved the compression and/or dehydration of Lessee's gas. Any authorized use for oil or gas shall be deducted in computing Lessor's royalty on oil and/or gas, and Lessor shall not be paid royalty on said volumes.

"TAKE OR PAY" PAYMENTS: If Lessee enters into a gas purchase contract which contains what is commonly referred to as a "take or pay" provision (whereby the gas purchaser agrees to take delivery of a certain minimum volume of gas over a specified term at a specified price and, failing to take such required delivery, agrees to make payment to the producer) and the purchaser under such gas purchase contract makes payments to Lessee by virtue of such purchaser's failure to take delivery of such minimum volume or quantity of gas, then Lessor shall be entitled to its royalty share of all such sums paid to Lessee or producer under the "pay" provisions of such gas purchase contract. Such royalty payments shall be due and owing to Lessor within sixty (60) days after receipt of such payments by Lessee. Any royalty payments made to Lessor under the "pay" obligation of any "take or pay" gas contract shall be applied as a credit toward lessee's minimum royalty obligation. If the gas purchaser "makes up" such gas within the period called for in the gas contract and lessee is required to give such purchaser a credit for gas previously paid for but not taken, then Lessor shall not be entitled to royalty on such "make up" gas, except to the extent of any price difference applicable to such "make up" volumes as provided for in the applicable gas purchase contract. In addition, in the event any portion of such take or pay payments are required to be refunded to the purchaser because of Lessee's inability to deliver to purchaser recoupment volumes or for any other reason contemplated under the terms of the applicable gas purchase contract. Lessee shall be entitled to recoup, out of Lessors future royalty payments, Lessor's proportionate part of such refund obligation. However, at such time as the well or wells from which such recoupment is to be made are plugged, by Lessee, Lessor shall be obligated to repay any unrecouped portion of such refund obligation.

If Lessee is not producing any quantities of gas from leased premises but is receiving payment under the "pay" portion of such "take or pay" gas purchase contract provision, such payments shall relieve Lessee of the duty to make shut-in royalty payments if Lessee desires to continue this lease, but such "take or pay" royalty payments shall be applied as a credit against any shut-in royalty obligation of the Lessee.

Lessor shall be entitled to its royalty share of the value of any benefits obtained by or granted to Lessee from any gas purchase and/or transporter for the amendment, modification, extension, alteration, consolidation, transfer, cancellation or settlement of gas purchase contract and/ or transportation agreement which arises out of any claims or disputes relating to take or pay under such agreements.

DIVISION ORDER NOT REQUIRED: If requested by Lessee, Lessor will execute and deliver to Lessee or the purchaser of oil or gas, a written statement of Lessor's interest in minerals or royalties and his current address and social security or taxpayer's ID number and Lessor agrees to reimburse Lessee for any incorrect or unauthorized payment received by such Lessor and this lease may not be amended or otherwise affected by any division order, notwithstanding the execution of same by Lessor.

RESERVES, CONTRACT AND OTHER RECORDS: During Lessee's regular office hours, Lessor shall have reasonable access to all information concerning the drilling, deepening, plugging back, coring, testing and completing of any and all wells; all driller logs, well logs and survey production charts and records, information concerning the production and marketing of oil and gas from said lands, along with copies of all forms filed with the Railroad Commission of Texas or any other governmental authority having jurisdiction over Lessee's operations on this Lease. Lessor agrees to not divulge all non-public information obtained under the terms of this paragraph to parties other than to Lessor's attorneys, geologists, petroleum engineers, accountants, financial consultants, guardians or other personnel of legal representatives (who shall agree in writing to be under the same duty of confidentiality) until such information is generally available to the public.

The Lease may not be maintained in force solely by the payment of shut-in royalty for more than 2 consecutive years, beyond the expiration of the primary term.

Subject to Lessee's right to conduct continuous drilling operations as set forth in paragraph 7 of the printed portion of this lease, upon the expiration of this lease, all Lessee's rights shall automatically terminate as to all the said Land, save and except, as to each well then capable of producing oil or gas in paying quantities the portion unit surrounding the well, as established pursuant to the rules and regulations of the Texas Railroad Commission, and shall also terminate as to all depths one hundred (100) feet below the stratigraphic equivalent of the deepest producing formation drilled in the well located on each unit. Any acreage assigned to a proration unit shall be considered subject to a separate Lease containing the same terms and provisions as this Lease. Each separate Lease may be kept in force and effect only by actual or constructive production from operations on the said Lands subject to that Lease, without regard to production or drilling operations on other said Lands retained by Lessee under a separate Lease or Leases. Within thirty (30) days after partial termination of this Lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. (The duty of Lessee regarding the filing of a release is more particularly set forth herein.)

OFFSET WELLS: Lessee agrees to protect the leased premises from drainage by well or wells on adjacent or adjoining land, as would a reasonably prudent operator under similar circumstances. In lieu of drilling, reworking or recompleting an offset to any such oil or gas well, Lessee shall have the option to either release all rights under that tract of land adjacent to the offsetting well (as to the production interval only), or pay Lessor, as royalty, a sum equal to the payments which would be payable under this lease on the production from such offset well had same been produced from the leased premises. In such later event, as long as Lessee may elect to pay such royalty in lieu of drilling or reworking or recompleting an offset well, Lessee shall have satisfied its offset obligation to Lessor as to such well.

POLLUTION: In all its operations hereunder, Lessee shall use its best professional judgment, in keeping with industry wide standards, and all proper safeguards to prevent the unauthorized spread of pollution. Without limiting the foregoing, the unauthorized spread of pollution of coastal wetlands, natural waterways, rivers and impounded water shall be prevented by use of containment facilities sufficient to prevent spillage, seepage, or ground water contamination. In the event of the unauthorized spread of pollution resulting from Lessee's operations hereunder, Lessee shall use all reasonable means at its disposal to recapture all escaped hydrocarbons or other pollutants and shall be responsible for all damage to public and private properties.

TO CONDUCT OPERATIONS IN AN ENVIRONMENTALLY SOUND MANNER: Lessee shall install and maintain all equipment and conduct all operations in an environmentally sound manner, in accordance with all applicable regulations of the Railroad Commission of Texas, the Texas Natural Resources Conservation Commission (or successor), the Environmental Protection Agency and any other governmental authorities with jurisdiction over the operations covered under this Lease. Lessee shall not use, store or dispose of any hazardous materials on the leased premises, except to the extent use of such substance is contemporaneously required for actual oil or gas operations on said land, and any such substances shall be used, stored and disposed of in a safe manner, in compliance with all applicable governmental regulations. In no event shall any hazardous waste be stored or disposed of on the leased premises in a manner which could cause such lands to be classified as a hazardous waste, storage, or disposal facility. Lessee shall insure that all contractors comply with the terms of this paragraph. In the event Lessee is notified of any discharge or release of a hazardous substance or any other environmentally harmful or dangerous conditions on said Lands resulting from Lessee's operations, Lessee shall promptly take all actions required to correct such hazardous, and dangerous or harmful conditions in accordance with applicable law and regulations and sound engineering practices. Lessor shall have no responsibility to inspect or oversee Lessee's operations or to identify or correct any potential harmful, dangerous, or damaging conditions resulting from Lessee's operations, and Lessor shall have no right to control any details of Lessee's operations, nor to designate or control Lessee's contractors. Neither Lessee nor any contractors shall have any right of



contribution or indemnity from Lessor for any matters resulting from Lessee operations on the leased premises or conditions on the leased premises or conditions on the lease premises resulting from Lessee's operations on the leased premises. Lessee indemnifies and holds Lessor harmless from any and all costs, expenses and liabilities Lessor might incur relating to any harmful, damaging or dangerous conditions caused by and resulting from Lessee's operations hereunder, the release or discharge by Lessee of any hazardous substance in connection with Lessee's operations hereunder, or any other breach of the terms of this paragraph. Provided, Lessee shall not be held liable for any acts incurred and resulting from the Lessor's gross negligence.

ASSIGNMENTS: The Lease may be assigned at any time. All assignments must be recorded in the county where the leased premises are located. In event of assignment of this lease which causes a change in operator or responsibility for the management of the terms, conditions and obligations of the lease, Lessee, its successors and assigns, shall be required to furnish a copy of the assignment to Lessor including the name and address of the assignee within thirty (30) days after such assignment; and Lessor shall likewise be notified upon each subsequent assignment. Every assignee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the Lessor accruing from the date assignment.

FORCE MAJEURE: Should Lessee be prevented from complying with any expressed or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom after effort made in good faith, by reason of war, rebellion, riots, strikes, fires, acts of God or any order, rule or regulation or government authority, then while so prevented, Lessee's obligations to comply with such covenants shall be suspended and Lessee shall not be liable in damages for failure to comply therewith and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil and gas from the leased premises and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to contrary notwithstanding. In the event Lessee intends to claim any rights under this paragraph, Lessee shall advise Lessor or Lessor's agent in writing within a period of sixty (60) days after the date Lessee claims any obligation hereunder is suspended, setting forth in reasonable detail such facts as Lessee relies upon to make the provisions of the paragraph applicable. Notwithstanding anything above stated to the contrary, if Lessee is prevented from complying with this lease or resorts to force majeure because of Lessee's intentional or negligent acts or omissions then this provision shall not be available to Lessee to perpetuate this lease or suspend Lessee's obligations.

LESSEE'S RIGHT OF ACCESS FOLLOWING PARTIAL RELEASE: In the event any of the acreage covered by this lease is released, Lessee shall not be obligated to protect against drainage, if any, between and among separately leased tracts. Notwithstanding a partial termination of this lease under the above provisions, it is agreed that Lessee shall have and retain such easements of ingress and egress over those lands originally covered hereby as shall be necessary to enable Lessee to develop and operate the portion or portions of the lease then in effect for the production of oil or gas therefrom and it is further agreed that it shall not be necessary for Lessee to remove or relocate any pipelines, tank batteries or other surface equipment or installations from any portions of this lease which have terminated for so long as some continue to be used for the development of an operation on such portions of this lease as continue in force and effect or on lands pooled therewith.

LESSOR'S RESERVED ACCESS TO RELEASED HORIZONS: In connection with the horizons which may be released by Lessee in accordance with the other provisions of this lease, Lessor reserves unto themselves, their heirs, successors and assigns, the right to use said horizons and the surface above same, as well as the right to drill through and explore through the horizons retained by Lessee; provided, however, such operations by Lessor (or its lessee) shall not unreasonably interfere with Lessee's operations and use of the leased premises.

INDEMNITY AND INSURANCE PROTECTION: Lessee agrees to indemnify, protect and hold Lessor (and surface owner, if different from Lessor) harmless of and from any and all claims, demands, costs, including but not limited to reasonable attorney and expert fees, expenses, damages, losses, causes of action or suits for damages arising out of injury to persons (including death) and injury or damage to or loss of any property or improvements caused by Lessee, its agents, employees, servants, contractors or any person acting under its direction or control. Further, Lessor shall never be liable for any claims, demands, costs, expenses, damages, losses, causes of action or suits for damages because of injury to persons or property arising out of the negligence, gross negligence, negligence per se, strict liability or any other acts or omission of Lessee, its agents, employees, servants, contractors or any person acting under its direction and control on the lands. Prior to the commencement of any operations on the leased land, and annually thereafter, Lessee shall purchase liability insurance and shall cause Lessee's insurance provider to furnish a certificate stating that there is in force a liability insurance policy in a sufficient amount to cover the potential liabilities under this lease.

REDUCTION OF PAYMENTS: If at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease shall be calculated based upon the number of acres actually retained and covered by this lease.

LEASE SECURITY: Lessee shall exercise reasonable diligence to protect said premises and to prevent theft of oil, gas and other hydrocarbons produced from said lease. This includes, but is not limited to, the installation of all necessary equipment, seals, locks, or other appropriate protective devices on or at all access points at the lease's production, gathering and storage systems where theft of hydrocarbons can occur.

VENUE AND RIGHT TO INTEREST: The rights and duties of the parties under this Lease shall be governed by the law of the State of Texas. The parties further agree that the District Court in and for county or counties in which the leased premises are situated shall have exclusive jurisdiction and venue of any and all causes of action between the parties concerning this lease. In the event any payments herein required to be made by Lessee to Lessor are not made when due, the same shall bear interest at the rate of prime plus two (2) percentage points from the date payment is due until paid. However, in no event shall such interest rate exceed the maximum legal rate that can be charged Lessee under applicable law.

RECORDING OF MEMORANDUM OF LEASE: In lieu of filing this lease for record in the office of the County Clerk in which the lands covered hereby is located. Lessor and Lessee agree that a memorandum of this lease, making appropriate reference hereto, may be filed for record in said county. The provisions of this lease are binding upon the parties hereto, their respective heirs, executors, administrators, successors, and assigns. The pronouns of any gender shall include the other genders, and either the singular or the plural shall include the other, Lessee, by its acceptance of this lease, agrees and obligates itself to all terms and provisions of this lease.

Lessee agrees that after the lease or a memorandum of the lease has been filed of record, it will deliver to the royalty owners a copy of this lease and a copy of the memorandum of the lease showing the filing and recording information.

COVENANTS RUNNING WITH THE LAND: The terms and conditions contained herein shall constitute covenants running with the land and shall be binding upon, and for the benefit of Lessor and Lessee and their respective heirs, legal representatives, successors and assigns.

ALL CHANGES MUST BE IN WRITING: No change or modification of this lease shall be valid or binding unless the same is made or specified in writing and signed by the parties, and no course of dealing between the parties shall be construed to alter the terms hereof this lease and any attached addenda or exhibits signed by both parties constitutes



the entire agreement between Lessor and Lessee. No prior written or prior written to prior contemporaneous oral promises or representations shall be binding.

EXHIBITS-ONE COMPLETE INSTRUMENT: The exhibits, if any attached hereto or referred to herein are incorporated herein and made a part hereof for all purposes. As used herein, the expression "this agreement" or "this lease" means the body of this Agreement and such exhibits; and the expressions "herein", "hereunder" and other words of similar import refer to this Agreement and such exhibits as a whole and not to any particular part or subdivision thereof.

SEVERABILITY: If any clause or provision of this lease is illegal, invalid or unenforceable under present or future laws, then it is the intention of the parties hereto that the remainder of the lease shall not be affected thereby, and it is also the intention of both parties that, in lieu of each clause or provision that is illegal, invalid or unenforceable, there shall be added as a part of this lease a mutually agrees to clause or be possible and be legal, valid and enforceable.

NON-WAIVER: Failure of either party to declare any default immediately upon occurrence thereof, or delay in taking any action in connection therewith, shall not waive such action as might be lawful or authorized hereunder, either in law or in equity.

FUTURE DOCUMENTS: At any time during the term of this lease if Lessee requires Lessor to execute any document, including division orders, surface leases, right-of-way agreements, seismic agreements, or any other agreement connected in any way to this lease agreement, the lands covered hereby or the minerals extracted from the leased premises, Lessee agrees that Lessor's execution of such agreements(s) shall not constitute a waiver of any claim, demand or cause of action Lessor or any royalty owner may have or claim for any breach of an expressed or implied obligation arising out of or in any way connected with this lease unless expressly stated in such document.

WARRANTY CLAUSE: Lessor does not expressly, impliedly or otherwise WARRANT title to the mineral rights under said land. Lessee accepts this Lease on an "AS IS" "WHERE IS" and "WITH ALL FAULTS" basis and without any representations or warranties as to merchantability or fitness for a particular purpose.

COMPRESSOR STATIONS: No compressor station or stations may be erected on the premises without Lessor and Lessee first entering into a mutual agreement as to the location thereof, if any, the price to be paid by Lessee therefore, and the terms and conditions of such.

PLUGGING OF ABANDONED WELLS: Subject to the provisions herein, Lessee agrees to plug, in accordance with the rules and regulations of the Railroad Commission of Texas or other governmental authority having jurisdiction, all dry holes drilled by Lessee on the leased premises and all wells which have once produced but which have permanently ceased producing. If Lessees shall fail to plug any such well as herein provided, Lessor may, at Lessor's election, plug same, in which event Lessee shall reimburse Lessor promptly for all expenses incurred.

NOTIFICATION OF LESSEE'S EMPLOYEES AND CONTRACTORS: Lessee shall apprise every contractor, subcontractor and employee who enters upon the leased premises of the provisions of this lease pertaining to prohibitions against fishing and hunting, vehicles access, and surface use and protection prior to their entry upon the leased premises.

RIGHT AND DUTY TO FILE RELEASES: Lessee may, at any time or from time to time, execute and deliver to Lessor or place of record in the appropriate County Records a release or releases covering any portion of the leased premises and thereby surrender this lease as to such portion of the leased premises. In the event any such release is filed for record, written notice of such filing, together with a copy of the release shall be given to Lessor at the above stated address contemporaneously with the filing of such release. Within thirty (30) days after this lease terminates for any reason as to all or any portion of the leased premises, Lessee shall execute and place of record in the office of the County Clerk of the County in which the leased premises are located, a release of this lease as to that portion of the leased premises which is no longer covered by this lease. Written notice of such filing, together with a copy of the release shall be give to Lessor at the above stated address contemporaneously with the filing of such release. If Lessee fails to promptly prepare or timely file a release, then Lessor shall make written demand upon Lessee requesting the release. This demand shall include the warning that if Lessee fails to promptly prepare or file the release within thirty (30) days of said demand, and such failure is not due to any disagreement between Lessor and Lessee as to the form or substance of such release or partial release, Lessor shall have the right to impose, and Lessee shall be liable to Lessor for, liquidated damages in the amount of One Thousand and No/1000 (\$1,000.00) Dollars, to be paid within thirty (30) days of demand by Lessor.

INDEMNITY AND INSURANCE PROTECTION: Lessee agrees to indemnify, protect and hold Lessor (and surface owner, if different from Lessor) harmless of and from any and all claims, demands, costs, (including but not limited to reasonable attorney and expert fees) expenses, damages, losses, causes of action or suits for damages arising out of injury to persons (including death) and injury or damage to or loss of any property or improvements caused by Lessee, its agents, employees, servants, contractors or any person acting under its direction or control. Further, Lessor shall never be liable for any claims, demands, costs, expenses, damages, losses, causes of action or suits for damages because of injury to persons or property arising out of the negligence, gross negligence, negligence per se, strict liability or any other acts or omission of Lessee, its agents, employees, servants, contractors or any person acting under its direction and control on the lands. Prior to the commencement of any operations on the leased land, and annually thereafter, Lessee shall purchase liability insurance and shall cause Lessee's insurance provider to furnish a certificate stating that there is in force a liability insurance policy in a sufficient amount to cover the potential liabilities under this lease.

REDUCTION OF PAYMENTS: If at any time after the expiration of the primary term or the extended term, this lease covers a lesser number of acres than the total amount described herein, payments that are made on a per acre basis hereunder shall be reduced according to the number of acres released, surrendered, or otherwise severed, so that payments determined on a per acre basis under the terms of this lease shall be calculated based upon the number of acres actually retained and covered by this lease.

Should there be any confliction between provisions in the lease and provisions contained in the Exhibit "A", then the provisions in the Exhibit "A" shall control.

A handwritten signature in black ink, appearing to be a stylized 'A' followed by a horizontal line.